

MORTGAGEPARTIES:

DON L. LEMKE (Mortgagor)

FUTURE ENTERPRISES, a partnership (Mortgagee)

AGREEMENTS:

24 JAN 27 PM 4 25

The Mortgagor hereby mortgages to Mortgagee the real property described on the attached Exhibit A and all interest therein which the Mortgagor may hereafter acquire; and all buildings, improvements, fixtures or appurtenances now or hereafter erected thereon or used in connection with the property, including but not limited to all apparatus, equipment, fixtures or articles whether in single units or centrally controlled, used to supply heat, gas, air conditioning, water, light, power, refrigeration, ventilation, or other services; all built-in appliances, and any other thing now or hereafter therein or thereon, the furnishing of which by lessors to lessees is customary or appropriate, including screens, window shades, storm doors and windows, floor coverings, screen doors, awnings, tanks, shrubbery, trees, stoves and water heaters; all of which are intended to be and are hereby declared a part of real estate whether physically attached thereto or not; and all easements, water rights, and other rights or privileges now or hereafter appurtenant to the land; and all of the rents, issues, and profits of the premises, which are hereby pledged, assigned and transferred to the Mortgagee, whether now due or hereafter to become due (hereinafter referred to as "the property").

1. This Mortgage is to secure the payment by JAMES PADDOCK, SUSAN PADDOCK and GORDON J. PADDOCK of a Promissory Note wherein JAMES PADDOCK, SUSAN PADDOCK and GORDON J. PADDOCK is maker and Mortgagee is payee, a copy of which is attached hereto in the face amount of Ten Thousand Dollars (\$10,000); and to secure the performance of all of the covenants and obligations of the Mortgagor contained or referred to herein.

2. The Mortgagor covenants:

a. The Mortgagor will pay when due all taxes, assessments and other governmental rates and charges against the property (including those heretofore due), and will furnish the Mortgagee, upon request, duplicate receipts therefor, and all items extended against the property shall be conclusively deemed valid for the purpose of this requirement. Mortgagor may elect to pay taxes in accordance with any available installment method that does not cause accrual of interest.

b. The Mortgagor is the owner in fee simple of the property subject to only the encumbrances shown on the attached Exhibit A and is entitled to possession of the property; the Mortgagor has the right to mortgage the property; the Mortgagor will keep the property free from all other encumbrances, including those of record, whether legal or otherwise, which are or might be prior or superior to the lien of Mortgagee hereunder; the Mortgagor will warrant and defend the same against all claims and demands whatsoever; and the Mortgagor will execute or procure such further assurance of Mortgagor's title to the property as may be reasonably requested by Mortgagee to protect Mortgagee's security interest.

c. The Mortgagor will keep the improvements now or hereafter located upon the property insured against damage by fire with extended coverage, broad form, until the indebtedness secured by this Mortgage is fully paid, or in case of foreclosure, until expiration of the period of redemption, for the full insurable value thereof, in form and with a company reasonably acceptable to the Mortgagee. Such insurance policy or policies shall have mortgage clauses in favor of, and in form acceptable to, the Mortgagee. In the event of foreclosure of this Mortgage or other transfer of title to the property in extinguishment of the indebtedness secured by this Mortgage, all right, title and interest of the Mortgagor in and to any insurance policies then in force shall be passed to the purchaser or grantee. In case of loss, the Mortgagor shall give immediate notice of loss by mail to the Mortgagee. In the event of destruction or damage, the Mortgagor may elect to rebuild and restore the improvements now or hereafter located on the property by giving written notice thereof to the Mortgagee within fifteen (15) days from such destruction or damage. In the event the Mortgagor so elects, such rebuilding or restoration shall be promptly commenced and diligently prosecuted. Upon satisfactory proof of expenditure, Mortgagee shall, from the insurance proceeds, pay or reimburse Mortgagor for the reasonable costs of repair or restoration. In the event the Mortgagor does not give a timely notice of election to rebuild or restore, all insurance proceeds shall be paid to the Mortgagee to apply upon the indebtedness secured by this Mortgage, in addition to any other payments coming due thereon. Upon request of the Mortgagee, the Mortgagor will furnish a certificate of insurance evidencing compliance with the insurance requirements of this paragraph.

d. The Mortgagor will keep the property in good condition and repair, without waste or strip, will not make, suffer or permit any unlawful use of or any nuisance to exist on the property, will not diminish or impair its value by any act or omission to act, and will comply with all requirements of law with respect to the property and the use thereof.

e. The Mortgagor will not initiate, join in or consent to any change in any private restrictive covenant or condition, zoning ordinance, other public or private restriction, limiting or defining the uses which may be made of the property or any part thereof, without the prior written consent of the Mortgagee.

f. The Mortgagor will not make, suffer or permit, without the prior written consent of the Mortgagee, any alterations or removal of any portion of the property, provided items of equal or greater value may be substituted for any improvements, apparatus, appurtenances, fixtures, built-in appliances or equipment now or hereafter used on the property.

3. The Mortgagee may, without notice to the Mortgagor, deal with the obligor referred to in Paragraph 1. with reference to the indebtedness hereby secured, either by forbearance to sue or by extending the time for payment of the indebtedness hereby secured, without in any way releasing, discharging or otherwise affecting the security interest of Mortgagee created hereunder.

4. In the event the ownership of the property or any part thereof becomes vested in a person other than the Mortgagor, the Mortgagee may, without notice to the Mortgagor, deal with such successor or successors in interest with reference to this Mortgage and the obligations hereby secured, either by forbearance to sue or by extending the time for performance of the obligations under this Mortgage, without in any way releasing, discharging or otherwise affecting the Mortgagor's liability hereunder for the obligations secured by this Mortgage.

5. In case the property, or any portion thereof, shall be taken under the right of eminent domain or condemnation, then, as between Mortgagor and Mortgagee, the Mortgagee is empowered to collect and receive all compensation which may be paid for any property taken or for damages to property not taken, and all compensation so received shall be distributed in the following order of priority:

a. To Mortgagee to reimburse reasonable costs, expenses and attorney's fees necessarily paid or incurred in the condemnation proceeding,

b. To Mortgagor to reimburse reasonable costs, expenses and attorney's fees necessarily paid or incurred in the condemnation proceeding,

c. To Mortgagee to be applied upon the indebtedness secured by this Mortgage, principal and interest, and

d. Any remaining balance shall be paid to Mortgagor.

The Mortgagor agrees to take such action or to execute such instruments as may be necessary in obtaining such compensation, promptly upon the Mortgagee's request.

6. It is expressly understood and agreed:

a. Should the Mortgagor fail to perform any of the covenants of this Mortgage, the Mortgagee may at Mortgagee's option, carry out the same on behalf of the Mortgagor without waiver of such default, and the Mortgagee may do any act Mortgagee may deem necessary to protect the Mortgagee's security interest. Any expenditures made or charges incurred by the Mortgagee for the foregoing purpose shall be repayable by the Mortgagor on demand and shall be secured by this Mortgage, and shall draw interest until repaid at the rate of one and one-half percent (1-1/2%) per month or the rate of interest on the Promissory Note secured hereby, whichever is greater, but in no event exceeding the highest lawful rate. The Mortgagee may, at Mortgagee's option, sue to collect all or any part of the aforementioned expenditures without foreclosing this Mortgage and without affecting Mortgagee's right to foreclose this Mortgage at any future time. Nothing herein contained shall require the Mortgagee to advance any monies for any purpose or do any act hereunder, and the Mortgagee shall not incur any personal liability because of Mortgagee's acts or omissions hereunder.

b. Time is material and of the essence hereof, and if default be made in the payment of the debts hereby secured, or an installment, extension or renewal thereof, or of interest, or in the performance of any of the covenants herein contained; or if the obligor referred to in Paragraph 1., Mortgagor or any of the guarantors is adjudicated bankrupt; or if a receiver is appointed for any property of the obligor, Mortgagor or any of the guarantors; or if the obligor, Mortgagor or any of the guarantors shall make an assignment for the benefit of creditors; or if Mortgagor shall default under the terms of any mortgage or other encumbrance which is or may be prior to or superior to the lien of the Mortgagee hereunder; or if proceedings be instituted to enforce any other lien or charge upon the property, or any part thereof, and within thirty (30) days thereafter Mortgagor shall fail to deposit cash or post a bond in lieu of cash in the amount of the alleged debt for the lien or charge sought to be enforced; or if the Mortgagor abandons any of the property, the balance of the unpaid principal with the accrued interest and all other indebtedness secured by this Mortgage shall, at the Mortgagee's election, become immediately due without notice and this Mortgage may be foreclosed. In addition, the Mortgagee may, at Mortgagee's option and without affecting the Mortgagee's security interest, apply toward the payment of the indebtedness such sums or any part thereof held by Mortgagee under the provisions of this Mortgage, or any indebtedness of the Mortgagee to the Mortgagor.

Mortgagee's failure to exercise any right or option, or waiver of any default, shall not be deemed a waiver of any future right, option or default.

c. The Mortgagor assigns to the Mortgagee all rents, issues, profits and revenues from the property and hereby assigns any leases in effect or hereafter in effect upon the property or any part thereof. In the event of default in the payment of the debts hereby secured, or in any installment, extension or renewal thereof, or of any interest, or in the performance of any of the covenants herein contained and while the default continues, Mortgagor hereby authorizes and empowers the Mortgagee, Mortgagee's agents or attorneys, at Mortgagee's election, without notice to the Mortgagor, as agents for the Mortgagor, to take and maintain full control of the property; to oust tenants for nonpayment of rents; to lease all or any portion of the property, in the name of the Mortgagor, on such terms as Mortgagee may deem advisable; to make alterations or repairs Mortgagee may deem advisable and deduct the cost thereof from the rent; to receive all rents and income therefrom and issue receipts therefor; and out of the amount or amounts so received to pay the necessary operating expenses and retain or pay the customary charges for thus managing the property; to pay the Mortgagee any amount due upon the indebtedness secured by this Mortgage; to pay taxes, assessments, and premiums of insurance policies, or renewals thereof, on the property, or amounts necessary to carry out any covenant in this Mortgage contained, the Mortgagee to determine which items are to be met first, but to pay any overplus so collected to the Mortgagor, and those exercising this authority shall be liable to the Mortgagor only for the amount collected hereunder and the accounting thereof, and as to all others, persons exercising this authority are acting only as agent of the Mortgagor in the protection of the Mortgagee's security interest. In no event is the right to such management and collection of such rents to affect or restrict the right of the Mortgagee to foreclose this Mortgage in case of default.

d. A receiver may be appointed in any proceeding to foreclose this Mortgage, without regard to the adequacy of the security for the indebtedness or the solvency of the Mortgagor or the absence of waste or danger of loss or destruction of the property, to possess, manage and control the property, and to collect the rents, issues and profits thereof. Upon a declaration of default under the terms of this Mortgage, the Mortgagor shall attorn to the Mortgagee or to a receiver of the property.

e. Mortgagee shall not be required to marshal security and may proceed to foreclose or otherwise realize upon security in such order and in such manner as Mortgagee may determine in Mortgagee's sole discretion.

f. The Mortgagee and persons authorized by Mortgagee shall have the right to enter and inspect the property at all reasonable times.

g. If Mortgagor shall have the right to foreclose this Mortgage as specified above, the Mortgagor shall pay to the Mortgagee all reasonable expenses incurred by Mortgagee, at any time necessary in Mortgagee's opinion for the protection of Mortgagee's interest or the enforcement of Mortgagee's rights, including but not limited to the cost of searching records, obtaining title reports, surveyor's reports, attorney's opinions or Mortgagee's title insurance, whether or not in connection with any legal proceeding; and the amount of such expenses, with interest thereon from the date incurred at the rate of one and one-half percent (1-1/2%) per month or the rate of interest on the Promissory Note secured hereby, whichever is greater (but in no event exceeding the highest lawful rate), shall be secured by this Mortgage. If any legal proceeding is commenced to foreclose this Mortgage or which concerns this Mortgage in any way or arises from the execution hereof, including appeals, the prevailing party shall be entitled to recover reasonable attorney's fees, to be set by the court without the necessity of hearing testimony or receiving evidence, in addition to the costs and disbursements allowed by law.

DATED this 19<sup>th</sup> day of January, 1984.

Don L. Lemke  
Don L. Lemke

STATE OF OREGON       )  
                                  ) ss.  
County of Lane       )

The foregoing instrument was acknowledged before me this 19<sup>th</sup> day of January, 1984 by Don L. Lemke.

Blanca M. T. Kelly  
Notary Public for Oregon  
My Commission Expires: 10-14-85

- PARCEL NO. 4 The South one-half of the South one-half of the North one-half of the Southwest quarter of the Northwest quarter of Section 16 in Township 39 South Range 14 East of the Willamette Meridian, "according to federal government survey methods" in Klamath County, Oregon
- PARCEL NO. 5 The North one-half of the South one-half of the North one-half of the Southwest quarter of the Northwest quarter of Section 16 in Township 39 South Range 14 East of the Willamette Meridian, "according to federal government survey methods" in Klamath County, Oregon.
- PARCEL NO. 6 The South one-half of the North one-half of the North one-half of the Southwest quarter of the Northwest quarter of Section 16 in Township 39 South Range 14 East of the Willamette Meridian, "according to federal government survey methods" in Klamath County, Oregon.
- PARCEL NO. 7 The North one-half of the North one-half of the North one-half of the Southwest quarter of the Northwest quarter of Section 16 in Township 39 South Range 14 East of the Willamette Meridian "according to federal government survey methods" in Klamath County, Oregon.



PROMISSORY NOTE

\$10,000.00

Eugene, Oregon

January \_\_\_\_, 1984

Each of the undersigned, individually and jointly, promises to pay to the order of FUTURE ENTERPRISES, a partnership, at 3114 Industrial, Springfield, Oregon 97477, or to such other place or person as the holder hereof may designate in writing, the amount of TEN THOUSAND DOLLARS, together with interest on the remaining unpaid balance thereof at the rate of ten percent (10%) per annum from the date hereof until paid; principal and interest payable in full on or before July 1, 1984.

Prepayment may be made in whole or in part at any time. All payments, including any prepayment, shall be applied first to accrued interest to the date of payment and then to principal.

If this note is placed in the hands of an attorney for collection, each of the undersigned promises and agrees to pay the holder's reasonable collection costs, including reasonable attorney's fees, even though no legal proceeding is filed hereon; however, if a legal proceeding is filed for the purpose of interpreting or enforcing this Promissory Note, the holder shall be entitled to recover reasonable attorney's fees in such proceeding, or any appeal thereof, to be set by the court without the necessity of hearing testimony or receiving evidence, in addition to the costs and disbursements allowed by law.

THIS NOTE IS SECURED BY A MORTGAGE OF EVEN DATE HEREWITH GRANTED BY DON L. LEMKE.

\_\_\_\_\_  
James Paddock

\_\_\_\_\_  
Susan Paddock

\_\_\_\_\_  
Gordon J. Paddock

*Return to*  
**LANE ESCROW & TITLE CO.**

1461 OAK STREET  
P.O. BOX 1456  
EUGENE, OREGON 97440

## PROMISSORY NOTE

STATE OF OREGON: COUNTY OF KLAMATH:ss

I hereby certify that the within instrument was received and filed for record on the 27th day of January A.D., 1984 at 4:25 o'clock P.M. and duly recorded in Vol. M84, of Mortgages on page 1550.  
EVELYN BIEHN, COUNTY CLERK

Fee \$ 32.00by B. J. Paddock Deputy